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| State of Florida  pscSEAL | | Public Service Commission  Capital Circle Office Center ● 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0850  -M-E-M-O-R-A-N-D-U-M- | |
| DATE: | July 9, 2015 | | |
| TO: | Office of Commission Clerk (Stauffer) | | |
| FROM: | Division of Economics (Bruce, Daniel, Hudson)  Division of Accounting and Finance (Archer, Bulecza-Banks, D. Buys, Cicchetti)  Division of Engineering (Watts)  Office of the General Counsel (Brownless) | | |
| RE: | Docket No. 150102-SU – Application for increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven. | | |
| AGENDA: | 07/21/15 – Regular Agenda – Decision on Suspension of Rates and Interim Rates – Participation is at the Discretion of the Commission | | |
| COMMISSIONERS ASSIGNED: | | | All Commissioners |
| PREHEARING OFFICER: | | | Edgar |
| CRITICAL DATES: | | | 08/03/15 (60-Day Suspension Date) |
| SPECIAL INSTRUCTIONS: | | | None |

Case Background

Utilities, Inc. of Sandalhaven (Sandalhaven or utility) is a Class B wastewater utility serving 835 wastewater customers in Charlotte County. Water service to the area is supplied by Charlotte County. According to the utility’s 2014 annual report, the utility had operating revenues of $668,757 and operating expenses of $841,708.

Sandalhaven has been in existence since 1983 and was granted an original certificate in 1995 following Charlotte County adopting a resolution giving the Florida Public Service Commission (Commission) jurisdiction over privately owned water and wastewater utilities.[[1]](#footnote-1) Effective September 25, 2007, the Commission’s jurisdiction was rescinded by Charlotte County and the certificate was cancelled.[[2]](#footnote-2) Subsequently, in 2013, Charlotte County transferred jurisdiction back to the Commission. Effective February 12, 2013, Sandalhaven was granted Certificate No. 567-S.[[3]](#footnote-3) The Commission set rate base for the utility in 2007.[[4]](#footnote-4) However, the utility’s current rates were established by Charlotte County, in Resolution 2012-209, adopted November 13, 2012, based upon a December 31, 2010 test year.

On June 4, 2015, Sandalhaven filed its application for the rate increase at issue in the instant docket. A deficiency letter was sent to the utility on July 1, 2015, and corrections to the minimum filing requirements (MFRs) were filed on July 6, 2015, which was established as the official date of filing pursuant to Section 367.083, Florida Statutes (F.S.). The utility requested that the application be processed using the Proposed Agency Action (PAA) procedure and requested interim rates. The test year established for interim and final rates is the period ended December 31, 2014. The utility is requesting an increase to recover reasonable and prudent costs for providing service and a reasonable rate of return on investment, including pro forma plant improvements. Sandalhaven requested an interim revenue increase of $724,062 (106.2 percent) and a final revenue increase of $939,540 (137.9 percent).

The 60-day statutory deadline for the Commission to suspend the utility’s requested final rates is August 3, 2015. This recommendation addresses the suspension of the utility’s requested final rates and the requested interim rates. The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, F.S.

Discussion of Issues

***Issue 1:***

 Should the utility’s proposed final wastewater rates be suspended?

***Recommendation:***

 Yes. Sandalhaven’s proposed final wastewater rates should be suspended. (Bruce)

***Staff Analysis:***

  Section 367.081(6), F.S., provides that the Commission may, for good cause, withhold consent to the implementation of requested rates within 60 days after the date the rate request is filed. Further, Section 367.081(8), F.S., permits the proposed rates to go into effect (secured and subject to refund) at the expiration of five months from the official date of filing if: (1) the Commission has not acted upon the requested rate increase; or (2) if the Commission’s PAA action is protested by a party other than the utility.

Staff reviewed the filing and considered the information filed in support of the rate application and the proposed final rates. Staff believes that further investigation of this information, including on-site inspections, is needed. Staff initiated an audit of Sandalhaven’s books and records, as well as an audit of the utility’s proposed allocation of parent company investment and operating expenses. Both of these audits are tentatively due on August 31, 2015. In addition, staff sent its first data request to the utility on July 8, 2015. The utility’s response to the data request is due on July 22, 2015. Based on the foregoing, staff recommends Sandalhaven’s proposed final wastewater rates be suspended.

***Issue 2:***

 Should any interim increase be approved?

***Recommendation:***

 Yes. Sandalhaven has demonstrated the need for an interim rate increase for the wastewater system. Sandalhaven should be authorized to collect annual wastewater revenues as indicated below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Adjusted Test Year Revenues | $ Increase | Revenue Requirement | % Increase |
| Wastewater | $669,037 | $611,174 | $1,280,211 | 91.35 |

(D. Buys, Watts)

***Staff Analysis:***

 On June 4, 2015, Sandalhaven filed its rate base, cost of capital, and net operating income MFR Schedules to support its requested interim increase in wastewater rates. Pursuant to Section 367.082(1), F.S., in order to establish a prima facie entitlement for interim relief, the utility shall demonstrate that it is earning outside the range of reasonableness on its rate of return. Pursuant to Section 367.082(2)(a), F.S., in a proceeding for an interim increase in rates, the Commission shall authorize, within 60 days of the filing for such relief, the collection of rates sufficient to earn the minimum of the range of the rate of return. Based on the utility’s filing and the recommended adjustments below, staff believes that the utility has demonstrated a prima facie entitlement in accordance with Section 367.082(1), F.S., for its wastewater system.

Pursuant to Section 367.082(5)(b)1., F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with adjustments made in the utility’s most recent rate proceeding and annualizing any rate changes. Staff has reviewed Sandalhaven’s interim request, as well as Order No. PSC-07-0865-PAA-SU, in which the Commission last established rates for this utility.[[5]](#footnote-5) Staff’s recommended adjustments are discussed below. Staff has attached accounting schedules to illustrate staff's recommended rate base, capital structure, and test year operating income amounts. Rate base is labeled as Schedule No. 1-A, with the adjustments shown on Schedule No. 1-B. Capital structure is labeled as Schedule No. 2. Operating income is labeled as Schedule No. 3-A, with the adjustments shown on Schedule No. 3-B.

**Rate Base**

Pursuant to Section 367.082(5)(b)1., F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with adjustments made in the utility’s most recent rate proceeding.

Pursuant to Rule 25-30.433(2), Florida Administrative Code (F.A.C.), working capital for class B utilities shall be calculated using the formula method which is one-eighth of operation and maintenance (O&M) expenses. Based on staff’s adjustment of $40,787 to O&M expenses, staff reduced working capital by $5,098. Therefore, staff recommends that Sandalhaven’s interim working capital allowance should be $68,245.

Pursuant to Section 367.082, F.S., the method used to calculate Used and Useful (U&U) in Sandalhaven’s last rate case must be used for interim purposes. In Order No. PSC-07-0865-PAA-SU, the Commission found that Sandalhaven’s wastewater system should be considered 100 percent U&U. However, based on staff’s review, a non-used and useful adjustment of $73,089 should be made to reduce the land balance. The utility made this adjustment in its MFRs for final rates, but overlooked this adjustment in its calculation of rate base for interim rates. This adjustment is consistent with the methodology used in Sandalhaven’s last rate case. No other U&U adjustments are necessary for interim purposes.

Based on the above, staff recommends that Sandalhaven’s wastewater rate base for interim purposes is $3,333,536.

**Cost of Capital**

In its MFRs, Sandalhaven requested a weighted average cost of capital of 10.21 percent based on a return on common equity (ROE) of 11.00 percent and an equity ratio of 57.57 percent. While the 11.00 percent ROE is appropriate in this instance, based on an analysis of the MFRs and staff’s review of Order No. PSC-07-0865-PAA-SU, staff believes an adjustment to the utility’s capital structure and weighted average cost of capital is necessary.

On MFR Schedule D-2 for interim, the utility reflected a negative amount of $540,800 for accumulated deferred income taxes (ADITs) in the capital structure. In Sandalhaven’s last rate case, the debit ADITs from taxes paid on plant capacity charges (Def Tax Tap Fee Post 2000) and the credit ADITs for acquisition costs (Orgn Exp) were disallowed for ratemaking purposes. Accordingly, staff recommends that the debit ADITs for Tap Fees of $618,138 and the credit ADITs for acquisition costs of $35,048 be removed from the debit ADIT balance of $540,800. The net adjustment is $583,090 ($618,800 - $35,048) which results in a positive ADIT balance of $42,290 in the capital structure.

The adjustment to the ADIT balance in the capital structure yields an equity ratio of 49.05 percent and an overall weighted average cost of capital of 8.71 percent. Accordingly, staff recommends that the appropriate weighted average cost of capital for interim purposes is 8.71 percent.

**Net Operating Income**

To attain the appropriate amount of interim test year operating revenues, staff removed the utility’s requested interim revenue increase of $724,062 for wastewater. Also, the utility did not use the wastewater gallons at its tariffed gallonage cap when determining the interim test year operating revenues. Staff further decreased the interim test year operating revenues by $12,199 to reflect the appropriate interim operating revenues using the wastewater gallons at the appropriate gallonage cap. Pursuant to Section 367.082(5)(b)1., F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with adjustments made in the utility’s most recent rate proceeding and annualizing any rate changes. Based on staff’s review, several adjustments to operation and maintenance (O&M) expenses are necessary for interim purposes.

First, Sandalhaven included an adjustment to increase the amortization of deferred charges included in miscellaneous expenses by $1,798 to annualize test year additions. Staff believes the utility’s proposed adjustment is pro forma because it is outside the interim historic test year, and recommends that the adjustment be removed from the interim net operating income calculation.

Second, using the same methodology in the last rate case for excessive inflow and infiltration (excessive I&I), staff determined that excessive I&I is 20.16 percent. The process for determining excessive I&I involves the following steps:

1. Calculate the infiltration allowance using the pipe sizes and lengths provided in the utility’s MFRs, and add to it the allowable inflow based on the flows reported by the utility, to obtain the total allowable I&I.
2. Calculate the estimated returns at 80 percent of the residential water gallons sold plus 90 percent of the non-residential water gallons sold.
3. Subtract the estimated returns from the amount of wastewater treated to get the estimated I&I.
4. Subtract the total allowable I&I from the estimated I&I to yield the excessive I&I.

Using this process in the last rate case, staff found no excessive I&I. However, in the instant docket, using the data provided by the utility in its MFRs, staff calculated the excessive I&I stated above. Staff notes that its result differs from that of the utility as reported on Schedule F-6 of the MFRs. This is due to an apparent error on line 14 of Schedule F-6. Consistent with prior Commission practice, staff believes an adjustment should be made to reduce the chemicals, purchased power, and purchased sewage treatment expenses by 20.16 percent. Accordingly, staff recommends that Chemicals Expense be reduced by $664, Purchased Power Expense be reduced by $4,199, and Purchased Sewage Treatment be reduced by $34,126, for a total reduction of $38,989.

Third, staff made adjustments to taxes other than income (TOTI) to reflect the revenue and O&M expense adjustments cited above. Staff reduced the regulatory assessment fees (RAFs) by $33,132 to reflect the removal of the utility’s requested revenue increase.

Based on the above, staff recommends that the appropriate test year operating loss, before any interim revenue increase, is $73,568.

**Revenue Requirement**

Based on the above adjustments, staff recommends a revenue requirement of $1,280,211. This represents an interim increase in annual revenues of $611,174, or 91.35 percent.

***Issue 3:***

 What are the appropriate interim wastewater rates?

***Recommendation:***

 The interim rate increase of 91.6 percent for wastewater should be applied as an across-the-board increase to the utility’s existing service rates. The rates, as shown on Schedule No. 4, should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. In addition, the approved rates should not be implemented until the required security has been filed, staff has approved the proposed customer notice, and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice. (Bruce)

***Staff Analysis:***

 Staff recommends that interim service rates for Sandalhaven be designed to allow the utility the opportunity to generate annual operating revenues of $1,280,211. Before removal of miscellaneous revenues, this would result in an increase of $611,174 (91.35 percent). To determine the appropriate increase to apply to the service rates, miscellaneous revenues should be removed from the test year revenues. The calculation is as follows:

**Table 3**

**Percentage Increase Less Miscellaneous Revenues**

|  |  |  |
| --- | --- | --- |
|  |  | Wastewater |
|  |  |  |
| 1 | Total Test Year Revenues | $669,037 |
|  |  |  |
| 2 | Less: Miscellaneous Revenues | $1,848 |
|  |  |  |
| 3 | Test Year Revenues from Service Rates | $667,189 |
|  |  |  |
| 4 | Revenue Increase | $611,174 |
|  |  |  |
| 5 | % Service Rate Increase (Line 4/Line 3) | 91.6% |

Staff recommends that the interim rate increase of 91.6 percent be applied as an across-the-board increase to the utility’s existing service rates. The rates, as shown on Schedule No. 4, should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. In addition, the approved rates should not be implemented until the required security has been filed, staff has approved the proposed customer notice, and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice.

***Issue 4:***

 What is the appropriate security to guarantee the interim increase?

***Recommendation:***

 A cumulative corporate undertaking is acceptable contingent upon receipt of the written guarantee of the parent company, Utilities, Inc. (UI or company), and written confirmation that the cumulative outstanding guarantees on behalf of UI-owned utilities in other states will not exceed $1.2 million (inclusive of all Florida utilities). UI should be required to file a corporate undertaking on behalf of its subsidiaries to guarantee any potential refunds of revenues collected under interim conditions. UI’s guaranteed amount subject to refund should be $356,608. Pursuant to Rule 25-30.360(6), F.A.C., the utility should provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and in accordance with Rule 25-30.360, F.A.C. (D. Buys)

***Staff Analysis:***

* Pursuant to Section 367.082(2)(a), F.S., revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by the Commission. Sandalhaven has requested an annual interim revenue increase of $724,062 for wastewater. As recommended in Issue 2, the annual interim increase is $611,174. In accordance with Rule 25-30.360, F.A.C., staff calculated the potential refund of revenues and interest collected under interim conditions to be $356,608. This amount is based on an estimated seven months of revenue being collected under the recommended interim rates shown on Schedule No. 4.

Sandalhaven is a wholly-owned subsidiary of UI, which provides all investor capital to its subsidiaries. Based on the amount subject to refund for Sandalhaven the incremental increase in UI’s corporate undertaking is $356,608. There are no other current corporate undertaking amounts outstanding for other UI systems in Florida, so therefore, the total cumulative outstanding guarantee is $356,608.

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Staff reviewed UI’s 2012, 2013, and 2014 financial statements to determine if the company can support a corporate undertaking on behalf of its subsidiary. In its financial statements, UI reported both an insufficient working capital amount and an inadequate current ratio in 2012 and 2013. In 2013, UI had an insufficient interest coverage ratio. In 2014, the company’s working capital amount, current ratio, and interest coverage ratio improved to sufficient levels. In addition, UI achieved sufficient profitability and reported adequate ownership equity over the three-year review period.

Based on staff’s review of the financial reports submitted by UI, staff believes UI has adequate resources to support a corporate undertaking in the amount requested. Based on this analysis, staff recommends that a cumulative corporate undertaking of $356,608 is acceptable contingent upon receipt of the written guarantee of UI and written confirmation that the cumulative outstanding guarantees on behalf of UI-owned utilities in other states will not exceed $1.2 million (inclusive of all Florida utilities).

The brief financial analysis above is only appropriate for deciding if UI can support a corporate undertaking in the amount proposed and should not be considered a finding regarding staff’s position on other issues in this proceeding.

Pursuant to Rule 25-30.360(6), F.A.C., the utility should provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, F.A.C.

In no instance should maintenance and administrative costs associated with any refund be borne by the customers. The costs are the responsibility of, and should be borne by, the utility.

***Issue 5:***

 Should this docket be closed?

***Recommendation:***

  No. The docket should remain open pending the Commission’s PAA decision on the utility’s requested rate increase. (Brownless)

***Staff Analysis:***

 The docket should remain open pending the Commission’s PAA decision on the utility’s requested rate increase.

|  |  |  |  |  |  |  |
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|  | **Utilities, Inc. of Sandalhaven** | |  |  | **Schedule No. 1-A** | |
|  | **Schedule of Wastewater Rate Base** | |  |  | **Docket No. 150102-SU** | |
|  | **Test Year Ended 12/31/14** |  |  |  |  |  |
|  |  | **Test Year** | **Utility** | **Adjusted** | **Staff** | **Staff** |
|  |  | **Per** | **Adjust-** | **Test Year** | **Adjust-** | **Adjusted** |
|  | **Description** | **Utility** | **ments** | **Per Utility** | **ments** | **Test Year** |
|  |  |  |  |  |  |  |
| 1 | Plant in Service | $8,571,371 | ($16,502) | $8,554,869 | $0 | $8,554,869 |
|  |  |  |  |  |  |  |
| 2 | Land and Land Rights | 157,487 | 209 | 157,696 | 0 | 157,696 |
|  |  |  |  |  |  |  |
| 3 | Non-used and Useful Components | 0 | 0 | 0 | (73,089) | (73,089) |
|  |  |  |  |  |  |  |
| 4 | Accumulated Depreciation | (3,712,738) | 20,172 | (3,692,566) | 0 | (3,692,566) |
|  |  |  |  |  |  |  |
| 5 | CIAC | (3,276,640) | 0 | (3,276,640) | 0 | (3,276,640) |
|  |  |  |  |  |  |  |
| 6 | Amortization of CIAC | 1,595,021 | 0 | 1,595,021 | 0 | 1,595,021 |
|  |  |  |  |  |  |  |
| 7 | Construction Work in Progress | 134,200 | (134,200) | 0 | 0 | 0 |
|  |  |  |  |  |  |  |
| 8 | Working Capital Allowance | 0 | 73,343 | 73,343 | (5,098) | 68,245 |
|  |  |  |  |  |  |  |
| 9 | **Rate Base** | $3,468,701 | ($56,978) | $3,411,723 | ($78,187) | $3,333,536 |
|  |  |  |  |  |  |  |

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| --- | --- | --- | --- |
|  | **Utilities, Inc. of Sandalhaven** | **Schedule No. 1-B** | |
|  | **Adjustments to Rate Base** | **Docket No. 150102-SU** | |
|  | **Test Year Ended 12/31/14** |  |  |
|  |  |  |  |
|  | **Explanation** |  | **Wastewater** |
|  |  |  |  |
|  |  |  |  |
|  | Plant In Service |  | $0 |
|  |  |  |  |
|  | Land |  |  |
|  | To reflect non-used and useful adjustment to land. (Issue 2) | | ($73,089) |
|  |  |  |  |
|  | Accumulated Depreciation |  | $0 |
|  |  |  |  |
|  | CIAC |  | $0 |
|  |  |  |  |
|  | Accumulated Amortization of CIAC |  | $0 |
|  |  |  |  |
|  | Working Capital |  |  |
|  | To reflect the appropriate working capital allowance (Issue 2) | | ($5,098) |
|  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Utilities, Inc. of Sandalhaven** | |  |  |  |  |  | **Schedule No. 2** | |  |
|  | **Capital Structure-Simple Average** | |  |  |  |  | **Docket No. 150102-SU** | | |  |
|  | **Test Year Ended 12/31/14** | |  |  |  |  |  |  |  |  |
|  |  |  | **Specific** | **Subtotal** | **Prorata** | **Capital** |  |  |  |  |
|  |  | **Total** | **Adjust-** | **Adjusted** | **Adjust-** | **Reconciled** |  | **Cost** | **Weighted** |  |
|  | **Description** | **Capital** | **ments** | **Capital** | **ments** | **to Rate Base** | **Ratio** | **Rate** | **Cost** |  |
| **Per Utility** | |  |  |  |  |  |  |  |  |  |
| 1 | Long-term Debt | $180,000,000 | $0 | $180,000,000 | ($178,061,256) | $1,938,744 | 56.83% | 6.64% | 3.77% |  |
| 2 | Short-term Debt | $4,000,000 | $0 | $4,000,000 | ($3,956,917) | $43,083 | 1.26% | 7.77% | 0.10% |  |
| 3 | Preferred Stock | $0 | $0 | $0 | $0 | $0 | 0.00% | 0.00% | 0.00% |  |
| 4 | Common Equity | $182,354,550 | $0 | $182,354,550 | ($180,390,445) | $1,964,105 | 57.57% | 11.00% | 6.33% |  |
| 5 | Customer Deposits | $6,591 | $0 | $6,591 | $0 | $6,591 | 0.19% | 2.00% | 0.00% |  |
| 6 | Deferred Income Taxes | ($540,800) | $0 | ($540,800) | $0 | ($540,800) | -15.85% | 0.00% | 0.00% |  |
| 7 | **Total Capital** | $365,820,341 | $0 | $365,820,341 | ($362,408,618) | $3,411,723 | 100.00% |  | 10.21% |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **Per Staff** | |  |  |  |  |  |  |  |  |  |
| 8 | Long-term Debt | $180,000,000 | $0 | $180,000,000 | ($178,386,159) | $1,613,841 | 48.41% | 6.64% | 3.22% |  |
| 9 | Short-term Debt | $4,000,000 | $0 | $4,000,000 | ($3,964,137) | $35,863 | 1.08% | 7.77% | 0.08% |  |
| 10 | Preferred Stock | $0 | $0 | $0 | $0 | $0 | 0.00% | 0.00% | 0.00% |  |
| 11 | Common Equity | $182,354,550 | $0 | $182,354,550 | ($180,719,599) | $1,634,951 | 49.05% | 11.00% | 5.41% |  |
| 12 | Customer Deposits | $6,591 | $0 | $6,591 | $0 | $6,591 | 0.20% | 2.00% | 0.00% |  |
| 13 | Deferred Income Taxes | ($540,800) | $583,090 | $42,290 | $0 | $42,290 | 1.26% | 0.00% | 0.00% |  |
| 14 | **Total Capital** | $365,820,341 | $583,090 | $366,403,431 | ($363,069,895) | $3,333,536 | 100.00% |  | 8.71% |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | **LOW** | **HIGH** |  |  |
|  |  |  |  |  | RETURN ON EQUITY | | 11.00% | 13.00% |  |  |
|  |  |  |  |  | OVERALL RATE OF RETURN | | 8.71% | 9.68% |  |  |
|  |  |  |  |  |  |  |  |  |  |  |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Utilities, Inc. of Sandalhaven** |  |  |  |  |  | **Schedule No. 3-A** | |
|  | **Statement of Wastewater Operations** | |  |  |  |  | **Docket No. 150102-SU** | |
|  | **Test Year Ended 12/31/14** |  |  |  |  |  |  |  |
|  |  | **Test Year** | **Utility** | **Adjusted** | **Staff** | **Staff** |  |  |
|  |  | **Per** | **Adjust-** | **Test Year** | **Adjust-** | **Adjusted** | **Revenue** | **Revenue** |
|  | **Description** | **Utility** | **ments** | **Per Utility** | **ments** | **Test Year** | **Increase** | **Requirement** |
|  |  |  |  |  |  |  |  |  |
| 1 | **Operating Revenues:** | $668,757 | $736,541 | $1,405,298 | ($736,261) | $669,037 | $611,174 | $1,280,211 |
|  |  |  |  |  |  |  | 91.35% |  |
|  | **Operating Expenses** |  |  |  |  |  |  |  |
| 2 | Operation & Maintenance | $581,100 | $5,646 | $586,746 | ($40,787) | $545,959 | $0 | $545,959 |
|  |  |  |  |  |  |  |  |  |
| 3 | Depreciation | 264,739 | (87,157) | 177,582 | 0 | 177,582 | 0 | 177,582 |
|  |  |  |  |  |  |  |  |  |
| 5 | Taxes Other Than Income | 113,952 | 48,580 | 162,532 | (33,132) | 129,400 | 27,503 | 156,903 |
|  |  |  |  |  |  |  |  |  |
| 6 | Income Taxes | (118,083) | 248,359 | 130,276 | (240,613) | (110,337) | 219,636 | 109,299 |
|  |  |  |  |  |  |  |  |  |
| 7 | **Total Operating Expense** | 841,708 | 215,428 | 1,057,136 | (314,531) | 742,605 | 247,138 | 989,743 |
|  |  |  |  |  |  |  |  |  |
| 8 | **Operating Income** | ($172,951) | $521,113 | $348,162 | ($421,730) | ($73,568) | $364,036 | $290,468 |
|  |  |  |  |  |  |  |  |  |
| 9 | **Rate Base** | $3,468,701 |  | $3,411,723 |  | $3,333,536 |  | $3,333,536 |
|  |  |  |  |  |  |  |  |  |
| 10 | **Rate of Return** | -4.99% |  | 10.20% |  | -2.21% |  | 8.71% |
|  |  |  |  |  |  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Utilities, Inc. of Sandalhaven** | **Schedule No. 3-B** | |
|  | **Adjustment to Operating Income** | **Docket No. 150102-SU** | |
|  | **Test Year Ended 12/31/14** |  |  |
|  |  |  |  |
|  | **Explanation** |  | **Wastewater** |
|  |  |  |  |
|  |  |  |  |
|  | Operating Revenues |  |  |
| 1 | Remove requested final revenue increase. (Issue 2) | | ($724,062) |
| 2 | To reflect the revenues based on appropriate gallonage cap. (Issue 2) | | (12,199) |
|  | Total |  | ($736,261) |
|  |  |  |  |
|  | Operation and Maintenance Expense |  |  |
| 1 | Remove annualization of amortization of deferred charges. (Issue 2) | | ($1,798) |
| 2 | Excessive I&I adjustment. (Issue 2) |  | (38,989) |
|  | Total |  | ($40,787) |
|  |  |  |  |
|  | Taxes Other Than Income |  |  |
|  | RAFs on revenue adjustments above. (Issue 2) | | ($33,132) |
|  |  |  |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Utilities, Inc. of Sandalhaven** | |  |  |  | **Schedule No. 4** | |
|  | **Monthly Wastewater Rates** | |  |  | **Docket No. 150102-SU** | | |
|  | **Test Year Ended 12/31/14** | |  |  |  | |  |
|  |  | |  | **UTILITY** | **UTILITY** | | **STAFF** |
|  |  | | **CURRENT** | **REQUESTED** | **REQUESTED** | | **RECOMMENDED** |
|  |  | | **RATES** | **INTERIM** | **FINAL** | | **INTERIM** |
|  |  | |  |  |  | |  |
|  | **Residential** | |  |  |  | |  |
|  | Base Facility Charge - All Meter Sizes | | $29.34 | $60.69 | $70.12 | | $56.22 |
|  |  | |  |  |  | |  |
|  | Charge per 1,000 Gallons- Residential | | $6.59 | $13.63 | $15.75 | | $12.63 |
|  | 8,000 gallon cap | |  |  |  | |  |
|  |  | |  |  |  | |  |
|  | **General Service and Multi-Residential** | |  |  |  | |  |
|  | Base Facility Charge by Meter Size | |  |  |  | |  |
|  | 5/8" x 3/4" | | $29.34 | $60.69 | $70.12 | | $56.22 |
|  | 1" | | $73.35 | $151.72 | $175.31 | | $140.55 |
|  | 1-1/2" | | $146.69 | $303.42 | $350.59 | | $281.10 |
|  | 2" | | $234.71 | $485.49 | $560.96 | | $449.76 |
|  | 3" | | $469.43 | $971.00 | $1,121.94 | | $899.52 |
|  | 4" | | $733.47 | $1,517.17 | $1,752.99 | | $1,405.50 |
|  | 6" | | $1,466.94 | $3,034.33 | $3,505.99 | | $2,811.00 |
|  |  | |  |  |  | |  |
|  | Restaurant 1" | | $73.35 | $151.72 | $175.31 | | $140.55 |
|  |  | |  |  |  | |  |
|  | Charge per 1,000 Gallons - General Service | | $7.92 | $16.38 | $18.93 | | $15.17 |
|  |  | |  |  |  | |  |
|  | Reserved Capacity - Flat Charge per unit | | $28.42 | $58.79 | $67.92 | | $54.45 |
|  |  | |  |  |  | |  |
|  | **Typical Residential 5/8" x 3/4" Meter Bill Comparison** | | |  |  | |  |
|  | 3,000 Gallons | $49.11 | | $101.58 | $117.37 | | $94.11 |
|  | 5,000 Gallons | $62.29 | | $128.84 | $148.87 | | $119.37 |
|  | 8,000 Gallons | $82.06 | | $169.73 | $196.12 | | $157.26 |
|  |  |  | |  |  | |  |

1. Order No. PSC-95-0478-FOF-SU, issued April 13, 1995, in Docket No. 941341-SU, In re: *Application for certificate to provide wastewater service in Charlotte County by Sandalhaven Utility, Inc.* [↑](#footnote-ref-1)
2. Order No. PSC-07-0984-FOF-WS, issued December 10, 2007, in Docket No. 070643-WS, In re: *Resolution No. 2007-143 by Charlotte County Board of Commissioners, in accordance with Section 367.171, F.S., rescinding Florida Public Service Commission jurisdiction over private water and wastewater systems in Charlotte County*. [↑](#footnote-ref-2)
3. Order No. PSC-13-0178-FOF-SU, issued April 29, 2013, in Docket No. 130053-SU, In re: *Application for grandfather certificate to operate wastewater utility in Charlotte County by Utilities, Inc. of Sandalhaven.* [↑](#footnote-ref-3)
4. Order No. PSC-07-0865-PAA-SU, issued October 29, 2007, in Docket No. 060285-SU, In re: *Application for rates in Charlotte County by Utilities, Inc. of Sandalhaven.* [↑](#footnote-ref-4)
5. Id. [↑](#footnote-ref-5)